

107TH CONGRESS  
1ST SESSION

# S. 1759

To provide a short-term enhanced safety net for Americans losing their jobs and to provide our Nation's economy with a necessary boost.

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IN THE SENATE OF THE UNITED STATES

DECEMBER 3, 2001

Mr. KERRY introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To provide a short-term enhanced safety net for Americans losing their jobs and to provide our Nation's economy with a necessary boost.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Putting Americans  
5       First Act”.

6       **TITLE I—TEMPORARY UNEM-**  
7       **EMPLOYMENT COMPENSATION**

8       **SEC. 101. FEDERAL-STATE AGREEMENTS.**

9       (a) IN GENERAL.—Any State which desires to do so  
10      may enter into and participate in an agreement under this

1 title with the Secretary of Labor (hereinafter in this title  
 2 referred to as the “Secretary”). Any State which is a party  
 3 to an agreement under this title may, upon providing 30  
 4 days’ written notice to the Secretary, terminate such  
 5 agreement.

6 (b) PROVISIONS OF AGREEMENT.—

7 (1) IN GENERAL.—Any agreement under sub-  
 8 section (a) shall provide that the State agency of the  
 9 State will make—

10 (A) payments of regular compensation to  
 11 individuals in amounts and to the extent that  
 12 such payments would be determined if the State  
 13 law were applied with the modifications de-  
 14 scribed in paragraph (2), and

15 (B) payments of temporary supplemental  
 16 unemployment compensation to individuals  
 17 who—

18 (i) have—

19 (I) exhausted all rights to regular  
 20 compensation under the State law; or

21 (II) received 26 weeks of regular  
 22 compensation under the State law;

23 (ii) do not have any rights to regular  
 24 compensation under the State law of any  
 25 other State; and

1 (iii) are not receiving compensation  
2 under the unemployment compensation law  
3 of Canada.

4 (2) MODIFICATIONS DESCRIBED.—The modi-  
5 fications described in this paragraph are as follows:

6 (A) An individual shall be eligible for reg-  
7 ular compensation if the individual would be so  
8 eligible, determined by applying—

9 (i) the base period that would other-  
10 wise apply under the State law if this title  
11 had not been enacted, or

12 (ii) a base period ending at the close  
13 of the calendar quarter most recently com-  
14 pleted before the date of the individual's  
15 application for benefits,

16 whichever results in the greater amount.

17 (B) An individual shall not be denied reg-  
18 ular compensation under the State law's provi-  
19 sions relating to availability for work, active  
20 search for work, or refusal to accept work, sole-  
21 ly by virtue of the fact that such individual is  
22 seeking, or available for, only part-time (and  
23 not full-time) work.

24 (C)(i) Subject to clause (ii), the amount of  
25 regular compensation (including dependents' al-

lowances) payable for any week shall be equal to the amount determined under the State law (before the application of this subparagraph), plus an additional—

(I) 25 percent, or

(II) \$65,

whichever is greater.

(ii) In no event may the total amount determined under clause (i) with respect to any individual exceed the average weekly insured wages of that individual in that calendar quarter of the base period in which such individual's insured wages were the highest (or one such quarter if his wages were the same for more than one such quarter).

(c) NONREDUCTION RULE.—Under the agreement, subsection (b)(2)(C) shall not apply (or shall cease to apply) with respect to a State upon a determination by the Secretary that the method governing the computation of regular compensation under the State law of that State has been modified in a way such that—

(1) the average weekly amount of regular compensation which will be payable during the period of the agreement (determined disregarding the modi-

1       fications described in subsection (b)(2)) will be less  
2       than

3               (2) the average weekly amount of regular com-  
4       pensation which would otherwise have been payable  
5       during such period under the State law, as in effect  
6       on September 11, 2001.

7       (d) COORDINATION RULES.—

8               (1) REGULAR COMPENSATION PAYABLE UNDER  
9       A FEDERAL LAW.—The modifications described in  
10      subsection (b)(2) shall also apply in determining the  
11      amount of benefits payable under any Federal law to  
12      the extent that those benefits are determined by ref-  
13      erence to regular compensation payable under the  
14      State law of the State involved.

15              (2) TSUC TO SERVE AS SECOND-TIER BENE-  
16      FITS.—Notwithstanding any other provision of law,  
17      neither regular compensation, extended compensa-  
18      tion, nor additional compensation under any Federal  
19      or State law shall be payable to any individual for  
20      any week for which temporary supplemental unem-  
21      ployment compensation is payable to such individual.

22              (3) TREATMENT OF OTHER UNEMPLOYMENT  
23      COMPENSATION.—After the date on which a State  
24      enters into an agreement under this title, any reg-  
25      ular compensation in excess of 26 weeks, any ex-

1 tended compensation, and any additional compensa-  
 2 tion under any Federal or State law shall be payable  
 3 to an individual in accordance with the State law  
 4 after such individual has exhausted any rights to  
 5 temporary supplemental unemployment compensa-  
 6 tion under the agreement.

7 (e) EXHAUSTION OF BENEFITS.—For purposes of  
 8 subsection (b)(1)(B)(i)(I), an individual shall be consid-  
 9 ered to have exhausted such individual's rights to regular  
 10 compensation under a State law when—

11 (1) no payments of regular compensation can  
 12 be made under such law because such individual has  
 13 received all regular compensation available to such  
 14 individual based on employment or wages during  
 15 such individual's base period, or

16 (2) such individual's rights to such compensa-  
 17 tion have been terminated by reason of the expira-  
 18 tion of the benefit year with respect to which such  
 19 rights existed.

20 (f) WEEKLY BENEFIT AMOUNT, TERMS AND CONDI-  
 21 TIONS, ETC. RELATING TO TSUC.—For purposes of any  
 22 agreement under this title—

23 (1) the amount of temporary supplemental un-  
 24 employment compensation which shall be payable to  
 25 an individual for any week of total unemployment

1 shall be equal to the amount of regular compensa-  
 2 tion (including dependents' allowances) payable to  
 3 such individual under the State law for a week for  
 4 total unemployment during such individual's benefit  
 5 year,

6 (2) the terms and conditions of the State law  
 7 which apply to claims for regular compensation and  
 8 to the payment thereof shall apply to claims for tem-  
 9 porary supplemental unemployment compensation  
 10 and the payment thereof, except where inconsistent  
 11 with the provisions of this title or with the regula-  
 12 tions or operating instructions of the Secretary pro-  
 13 mulgated to carry out this title, and

14 (3) the maximum amount of temporary supple-  
 15 mental unemployment compensation payable to any  
 16 individual for whom a temporary supplemental un-  
 17 employment compensation account is established  
 18 under section 103 shall not exceed the amount es-  
 19 tablished in such account for such individual.

20 **SEC. 103. TEMPORARY SUPPLEMENTAL UNEMPLOYMENT**  
 21 **COMPENSATION ACCOUNT.**

22 (a) IN GENERAL.—Any agreement under this title  
 23 shall provide that the State will establish, for each eligible  
 24 individual who files an application for temporary supple-

1 mental unemployment compensation, a temporary supple-  
 2 mental unemployment compensation account.

3 (b) AMOUNT IN ACCOUNT.—

4 (1) IN GENERAL.—The amount established in  
 5 an account under subsection (a) shall be equal to the  
 6 product obtained by multiplying an individual's  
 7 weekly benefit amount by the applicable factor under  
 8 paragraph (3).

9 (2) WEEKLY BENEFIT AMOUNT.—For purposes  
 10 of this subsection, an individual's weekly benefit  
 11 amount for any week is the amount of regular com-  
 12 pensation (including dependents' allowances) under  
 13 the State law payable to such individual for a week  
 14 of total unemployment in such individual's benefit  
 15 year.

16 (3) APPLICABLE FACTOR.—

17 (A) GENERAL RULE.—The applicable fac-  
 18 tor under this paragraph is 13, unless the indi-  
 19 vidual's benefit year begins or ends during a pe-  
 20 riod of high unemployment within such individ-  
 21 ual's State, in which case the applicable factor  
 22 is 26.

23 (B) PERIOD OF HIGH UNEMPLOYMENT.—  
 24 For purposes of this paragraph, a period of  
 25 high unemployment within a State shall begin



and end, if at all, in a way (to be set forth in the State's agreement under this title) similar to the way in which an extended benefit period would under section 203 of the Federal-State Extended Unemployment Compensation Act of 1970, subject to the following:

(i) To determine if there is a State “on” or “off” indicator, apply section 203(f) of such Act, but—

(I) substitute “5 percent” for “6.5 percent” in paragraph (1)(A)(i) thereof, and

(II) disregard paragraph (1)(A)(ii) thereof and the last sentence of paragraph (1) thereof.

(ii) To determine the beginning and ending dates of a period of high unemployment within a State, apply section 203(a) and (b) of such Act, except that—

(I) in applying such section 203(a), deem paragraphs (1) and (2) thereof to be amended by striking “the third week after”, and

(II) in applying such section 203(b), deem paragraph (1)(A) there-

1 of amended by striking “thirteen” and  
2 inserting “twenty-six” and paragraph  
3 (1)(B) thereof amended by striking  
4 “fourteenth” and inserting “twenty-  
5 seventh”.

6 (4) RULE OF CONSTRUCTION.—For purposes of  
7 any computation under paragraph (1) (and any de-  
8 termination of amount under section 101(f)(1)), the  
9 modification described in section 101(b)(2)(C) (re-  
10 lating to increased benefits) shall be deemed to have  
11 been in effect with respect to the entirety of the ben-  
12 efit year involved.

13 (c) ELIGIBILITY PERIOD.—An individual whose ap-  
14 plicable factor under subsection (b)(3) is 26 shall be eligi-  
15 ble for temporary supplemental unemployment compensa-  
16 tion for each week of total unemployment in his benefit  
17 year which begins in the State’s period of high unemploy-  
18 ment and, if his benefit year ends within such period, any  
19 such weeks thereafter which begin in such period of high  
20 unemployment, not to exceed a total of 26 weeks.

21 **SEC. 104. PAYMENTS TO STATES HAVING AGREEMENTS**  
22 **UNDER THIS TITLE.**

23 (a) GENERAL RULE.—There shall be paid to each  
24 State which has entered into an agreement under this title  
25 an amount equal to—

1           (1) 100 percent of any regular compensation  
2       made payable to individuals by such State by virtue  
3       of the modifications which are described in section  
4       101(b)(2) and deemed to be in effect with respect to  
5       such State pursuant to section 101(b)(1)(A),

6           (2) 100 percent of any regular compensation—

7               (A) which is paid to individuals by such  
8       State by reason of the fact that its State law  
9       contains provisions comparable to the modifica-  
10      tions described in section 101(b)(2)(A)–(B), but  
11      only

12            (B) to the extent that those amounts  
13      would, if such amounts were instead payable by  
14      virtue of the State law’s being deemed to be so  
15      modified pursuant to section 101(b)(1)(A), have  
16      been reimbursable under paragraph (1), and

17           (3) 100 percent of the temporary supplemental  
18      unemployment compensation paid to individuals by  
19      the State pursuant to such agreement.

20      (b) DETERMINATION OF AMOUNT.—Sums under sub-  
21      section (a) payable to any State by reason of such State  
22      having an agreement under this title shall be payable, ei-  
23      ther in advance or by way of reimbursement (as may be  
24      determined by the Secretary), in such amounts as the Sec-  
25      retary estimates the State will be entitled to receive under

1 this title for each calendar month, reduced or increased,  
 2 as the case may be, by any amount by which the Secretary  
 3 finds that the Secretary's estimates for any prior calendar  
 4 month were greater or less than the amounts which should  
 5 have been paid to the State. Such estimates may be made  
 6 on the basis of such statistical, sampling, or other method  
 7 as may be agreed upon by the Secretary and the State  
 8 agency of the State involved.

9 (c) ADMINISTRATIVE EXPENSES, ETC.—There is  
 10 hereby appropriated out of the employment security ad-  
 11 ministration account of the Unemployment Trust Fund  
 12 (as established by section 901(a) of the Social Security  
 13 Act) \$500,000,000 to reimburse States for the costs of  
 14 the administration of agreements under this title (includ-  
 15 ing any improvements in technology in connection there-  
 16 with) and to provide reemployment services to unemploy-  
 17 ment compensation claimants in States having agreements  
 18 under this title. Each State's share of the amount appro-  
 19 priated by the preceding sentence shall be determined by  
 20 the Secretary according to the factors described in section  
 21 302(a) of the Social Security Act and certified by the Sec-  
 22 retary to the Secretary of the Treasury.

23 **SEC. 105. FINANCING PROVISIONS.**

24 (a) IN GENERAL.—Funds in the extended unemploy-  
 25 ment compensation account (as established by section

1 905(a) of the Social Security Act), and the Federal unem-  
 2 ployment account (as established by section 904(g) of the  
 3 Social Security Act), of the Unemployment Trust Fund  
 4 shall be used, in accordance with subsection (b), for the  
 5 making of payments (described in section 103(a)) to  
 6 States having agreements entered into under this title.

7 (b) CERTIFICATION.—The Secretary shall from time  
 8 to time certify to the Secretary of the Treasury for pay-  
 9 ment to each State the sums described in section 103(a)  
 10 which are payable to such State under this title. The Sec-  
 11 retary of the Treasury, prior to audit or settlement by the  
 12 General Accounting Office, shall make payments to the  
 13 State in accordance with such certification by transfers  
 14 from the extended unemployment compensation account  
 15 (or, to the extent that there are insufficient funds in that  
 16 account, from the Federal unemployment account) to the  
 17 account of such State in the Unemployment Trust Fund.

18 **SEC. 106. FRAUD AND OVERPAYMENTS.**

19 (a) IN GENERAL.—If an individual knowingly has  
 20 made, or caused to be made by another, a false statement  
 21 or representation of a material fact, or knowingly has  
 22 failed, or caused another to fail, to disclose a material fact,  
 23 and as a result of such false statement or representation  
 24 or of such nondisclosure such individual has received any  
 25 regular compensation or temporary supplemental unem-

1 ployment compensation under this title to which he was  
2 not entitled, such individual—

3 (1) shall be ineligible for any further benefits  
4 under this title in accordance with the provisions of  
5 the applicable State unemployment compensation  
6 law relating to fraud in connection with a claim for  
7 unemployment compensation, and

8 (2) shall be subject to prosecution under section  
9 1001 of title 18, United States Code.

10 (b) REPAYMENT.—In the case of individuals who  
11 have received any regular compensation or temporary sup-  
12 plemental unemployment compensation under this title to  
13 which they were not entitled, the State shall require such  
14 individuals to repay those benefits to the State agency,  
15 except that the State agency may waive such repayment  
16 if it determines that—

17 (1) the payment of such benefits was without  
18 fault on the part of any such individual, and

19 (2) such repayment would be contrary to equity  
20 and good conscience.

21 (c) RECOVERY BY STATE AGENCY.—

22 (1) IN GENERAL.—The State agency may re-  
23 cover the amount to be repaid, or any part thereof,  
24 by deductions from any regular compensation or  
25 temporary supplemental unemployment compensa-

1       tion payable to such individual under this title or  
2       from any unemployment compensation payable to  
3       such individual under any Federal unemployment  
4       compensation law administered by the State agency  
5       or under any other Federal law administered by the  
6       State agency which provides for the payment of any  
7       assistance or allowance with respect to any week of  
8       unemployment, during the 3-year period after the  
9       date such individuals received the payment of the  
10      regular compensation or temporary supplemental un-  
11      employment compensation to which they were not  
12      entitled, except that no single deduction may exceed  
13      50 percent of the weekly benefit amount from which  
14      such deduction is made.

15           (2) OPPORTUNITY FOR HEARING.—No repay-  
16      ment shall be required, and no deduction shall be  
17      made, until a determination has been made, notice  
18      thereof and an opportunity for a fair hearing has  
19      been given to the individual, and the determination  
20      has become final.

21           (d) REVIEW.—Any determination by a State agency  
22      under this section shall be subject to review in the same  
23      manner and to the same extent as determinations under  
24      the State unemployment compensation law, and only in  
25      that manner and to that extent.

1 **SEC. 107. DEFINITIONS.**

2 For purposes of this title:

3 (1) IN GENERAL.—The terms “compensation”,  
4 “regular compensation”, “extended compensation”,  
5 “additional compensation”, “benefit year”, “base pe-  
6 riod”, “State”, “State agency”, “State law”, and  
7 “week” have the respective meanings given such  
8 terms under section 205 of the Federal-State Ex-  
9 tended Unemployment Compensation Act of 1970,  
10 subject to paragraph (2).

11 (2) STATE LAW AND REGULAR COMPENSA-  
12 TION.—In the case of a State entering into an  
13 agreement under this title—

14 (A) “State law” shall be considered to  
15 refer to the State law of such State, applied in  
16 conformance with the modifications described in  
17 section 101(b)(2), subject to section 101(c),  
18 and

19 (B) “regular compensation” shall be con-  
20 sidered to refer to such compensation, deter-  
21 mined under its State law (applied in the man-  
22 ner described in subparagraph (A)),  
23 except as otherwise provided or where the context  
24 clearly indicates otherwise.



1 **SEC. 108. APPLICABILITY.**

2 (a) IN GENERAL.—An agreement entered into under  
3 this title shall apply to weeks of unemployment—

4 (1) beginning after the date on which such  
5 agreement is entered into, and

6 (2) ending before January 1, 2003.

7 (b) SPECIFIC RULES.—

8 (1) IN GENERAL.—Under such an agreement,  
9 the following rules shall apply:

10 (A) ALTERNATIVE BASE PERIODS.—

11 (i) APPLICABILITY.—The modification  
12 described in section 702(b)(2)(A) (relating  
13 to alternative base periods) shall not apply  
14 except in the case of initial claims filed on  
15 or after the first day of the week that in-  
16 cludes September 11, 2001.

17 (ii) NONRETROACTIVITY.—The weekly  
18 benefit amount payable with respect to  
19 weeks of regular compensation and tem-  
20 porary supplemental unemployment com-  
21 pensation shall not be recalculated as a re-  
22 sult of the application of the modification  
23 described in clause (i) with respect to an  
24 individual who was receiving any unem-  
25 ployment compensation as of the date on

1           which the State enters into such an agree-  
2           ment.

3           (B) PART-TIME EMPLOYMENT AND IN-  
4           CREASED BENEFITS.—The modifications de-  
5           scribed in subparagraphs (B) and (C) of section  
6           702(b)(2) (relating to part-time employment  
7           and increased benefits, respectively) shall apply  
8           to weeks of unemployment described in sub-  
9           section (a), regardless of the date on which an  
10          individual's initial claim for benefits is filed.

11          (C) ELIGIBILITY FOR TSUC.—The pay-  
12          ments described in section 702(b)(1)(B) (relat-  
13          ing to temporary supplemental unemployment  
14          compensation) shall not apply except in the case  
15          of individuals who have—

16               (i) exhausted all rights to regular  
17               compensation under the State law (as de-  
18               scribed in clause (i)(I) of such section) on  
19               or after the first day of the week that in-  
20               cludes September 11, 2001; or

21               (ii) received 26 weeks of regular com-  
22               pensation under the State law as of such  
23               date (as described in clause (i)(II) of such  
24               section).

25          (2) REAPPLICATION PROCESS.—

1 (A) ALTERNATIVE BASE PERIODS.—In the  
2 case of an individual who filed an initial claim  
3 for regular compensation on or after the first  
4 day of the week that includes September 11,  
5 2001, and before the date that the State en-  
6 tered into an agreement under subsection (a)(1)  
7 that was denied as a result of the application  
8 of the base period that applied under the State  
9 law prior to the date on which the State entered  
10 into the such agreement, such individual—

11 (i) may refile a claim for regular com-  
12 pensation based on the modification de-  
13 scribed in section 702(b)(2)(A) (relating to  
14 alternative base periods) on or after the  
15 date on which the State enters into such  
16 agreement and before the date on which  
17 such agreement terminates; and

18 (ii) if eligible, shall be entitled to such  
19 compensation only for weeks of unemploy-  
20 ment described in subsection (a) beginning  
21 on or after the date on which the indi-  
22 vidual files such claim.

23 (B) PART-TIME EMPLOYMENT.—In the  
24 case of an individual who before the date that  
25 the State entered into an agreement under sub-

1 section (a)(1) was denied regular compensation  
2 under the State law's provisions relating to  
3 availability for work, active search for work, or  
4 refusal to accept work, solely by virtue of the  
5 fact that such individual is seeking, or available  
6 for, only part-time (and not full-time) work,  
7 such individual—

8 (i) may refile a claim for regular com-  
9 pensation based on the modification de-  
10 scribed in section 702(b)(2)(B) (relating to  
11 part-time employment) on or after the date  
12 on which the State enters into the agree-  
13 ment under subsection (a)(1) and before  
14 the date on which such agreement termi-  
15 nates; and

16 (ii) if eligible, shall be entitled to such  
17 compensation only for weeks of unemploy-  
18 ment described in subsection (a) beginning  
19 on or after the date on which the indi-  
20 vidual files such claim.

21 (3) NO RETROACTIVE PAYMENTS FOR WEEKS  
22 PRIOR TO AGREEMENT.—No amounts shall be pay-  
23 able to an individual under an agreement entered  
24 into under this title for any week of unemployment

1 prior to the week beginning after the date on which  
 2 such agreement is entered into.

3 **TITLE II—HEALTH INSURANCE**  
 4 **COVERAGE OPTIONS FOR RE-**  
 5 **CENTLY UNEMPLOYED INDIVIDUALS AND THEIR FAMILIES**  
 6 **LIES**

8 **SEC. 201. PREMIUM ASSISTANCE FOR COBRA CONTINU-**  
 9 **ATION COVERAGE FOR INDIVIDUALS AND**  
 10 **THEIR FAMILIES.**

11 (a) ESTABLISHMENT.—

12 (1) IN GENERAL.—Not later than 30 days after  
 13 the date of enactment of this Act, the Secretary of  
 14 the Treasury, in consultation with the Secretary of  
 15 Labor, shall establish a program under which 75  
 16 percent of the premium for COBRA continuation  
 17 coverage shall be provided for an individual who—

18 (A) at any time during the period that be-  
 19 gins on September 11, 2001, and ends on De-  
 20 cember 31, 2002, is separated from employ-  
 21 ment; and

22 (B) is eligible for, and has elected coverage  
 23 under, COBRA continuation coverage.

24 (2) INCLUSION OF CERTAIN INDIVIDUALS.—For  
 25 purposes of paragraph (1), the spouse, child, or

1 other individual who was an insured under health  
2 insurance coverage of an individual who was killed  
3 as a result of the terrorist-related aircraft crashes  
4 on September 11, 2001, or as a result of any other  
5 terrorist-related event occurring during the period  
6 described in that paragraph, and who is eligible for,  
7 and has elected coverage under, COBRA continu-  
8 ation coverage shall be eligible for premium assist-  
9 ance under the program established under this sec-  
10 tion.

11 (3) STATE OPTION TO ELECT ADMINISTRATION  
12 OF PROGRAM.—

13 (A) IN GENERAL.—A State may elect to  
14 administer the premium assistance program es-  
15 tablished under this section if the State submits  
16 to the Secretary of the Treasury, not later than  
17 January 1, 2002, a plan that describes how the  
18 State will administer such program on behalf of  
19 the individuals described in paragraph (1) or  
20 (2) who reside in the State beginning on that  
21 date.

22 (B) STATE ENTITLEMENT.—In the case of  
23 a State that submits a plan under subpara-  
24 graph (A), the Secretary of the Treasury shall  
25 pay to each such State an amount for each

1           quarter equal to the total amount of premium  
2           subsidies provided in that quarter on behalf of  
3           such individuals.

4           (4) IMMEDIATE IMPLEMENTATION.—The pro-  
5           gram established under this section shall be imple-  
6           mented without regard to whether or not final regu-  
7           lations to carry out such program have been promul-  
8           gated by the date described in paragraph (1).

9           (b) LIMITATION OF PERIOD OF PREMIUM ASSIST-  
10          ANCE.—

11           (1) IN GENERAL.—Premium assistance pro-  
12          vided in accordance with this section shall end with  
13          respect to an individual on the earlier of—

14                   (A) the date the individual is no longer  
15                   covered under COBRA continuation coverage;  
16                   or

17                   (B) 12 months after the date the indi-  
18                   vidual is first enrolled in the premium assist-  
19                   ance program established under this section.

20           (2) NO ASSISTANCE AFTER DECEMBER 31,  
21          2002.—No premium assistance (including payment  
22          for such assistance) may be provided under this sec-  
23          tion after December 31, 2002.

24           (c) PAYMENT ARRANGEMENTS; CREDITING OF AS-  
25          SISTANCE.—

1 (1) PROVISION OF ASSISTANCE.—

2 (A) IN GENERAL.—Premium assistance  
3 shall be provided under the program established  
4 under this section through direct payment ar-  
5 rangements with a group health plan (including  
6 a multiemployer plan), an issuer of health in-  
7 surance coverage, an administrator, or an em-  
8 ployer as appropriate with respect to the indi-  
9 vidual provided such assistance.

10 (B) ADDITIONAL OPTION FOR STATE-RUN  
11 PROGRAM.—In the case of a State that elects to  
12 administer the program established under this  
13 section, such assistance may be provided  
14 through the State public employment office or  
15 other agency responsible for administering the  
16 State unemployment compensation program.

17 (2) PREMIUMS PAYABLE BY INDIVIDUAL RE-  
18 DUCED BY AMOUNT OF ASSISTANCE.—Premium as-  
19 sistance provided under this section shall be credited  
20 by the group health plan, issuer of health insurance  
21 coverage, or an administrator against the premium  
22 otherwise owed by the individual involved for  
23 COBRA continuation coverage.



1 (d) PROGRAM REQUIREMENTS.—Premium assistance  
 2 shall be provided under the program established under this  
 3 section consistent with the following:

4 (1) ALL QUALIFYING INDIVIDUALS MAY  
 5 APPLY.—All individuals described in paragraph (1)  
 6 or (2) of subsection (a) may apply for such assist-  
 7 ance at any time during the period described in sub-  
 8 section (a)(1)(A).

9 (2) SELECTION ON FIRST-COME, FIRST-SERVED  
 10 BASIS.—Such assistance shall be provided to such  
 11 individuals who apply for the assistance in the order  
 12 in which they apply.

13 (e) LIMITATION ON ENTITLEMENT.—Nothing in this  
 14 section shall be construed as establishing any entitlement  
 15 of individuals described in paragraph (1) or (2) of sub-  
 16 section (a) to premium assistance under this section.

17 (f) DISREGARD OF SUBSIDIES FOR PURPOSES OF  
 18 FEDERAL AND STATE PROGRAMS.—Notwithstanding any  
 19 other provision of law, any premium assistance provided  
 20 to, or on behalf of, an individual under this section, shall  
 21 not be considered income or resources in determining eligi-  
 22 bility for, or the amount of assistance or benefits provided  
 23 under, any other Federal public benefit or State or local  
 24 public benefit.

25 (g) CHANGE IN COBRA NOTICE.—

1 (1) GENERAL NOTICE.—

2 (A) IN GENERAL.—In the case of notices  
3 provided under section 4980B(f)(6) of the In-  
4 ternal Revenue Code of 1986, section 2206 of  
5 the Public Health Service Act (42 U.S.C.  
6 300bb–6), section 606 of the Employee Retire-  
7 ment Income Security Act of 1974 (29 U.S.C.  
8 1166), or section 8905a(f)(2)(A) of title 5,  
9 United States Code, with respect to individuals  
10 who, during the period described in subsection  
11 (a)(1)(A), become entitled to elect COBRA con-  
12 tinuation coverage, such notices shall include an  
13 additional notification to the recipient of the  
14 availability of premium assistance for such cov-  
15 erage under this section and for temporary  
16 medicaid assistance under section 203 for the  
17 remaining portion of COBRA continuation pre-  
18 miums.

19 (B) ALTERNATIVE NOTICE.—In the case of  
20 COBRA continuation coverage to which the no-  
21 tice provision under such sections does not  
22 apply, the Secretary of the Treasury, in con-  
23 sultation with the Secretary of Labor, shall, in  
24 coordination with administrators of the group  
25 health plans (or other entities) that provide or

1 administer the COBRA continuation coverage  
2 involved, assure the provision of such notice.

3 (C) FORM.—The requirement of the addi-  
4 tional notification under this paragraph may be  
5 met by amendment of existing notice forms or  
6 by inclusion of a separate document with the  
7 notice otherwise required.

8 (2) SPECIFIC REQUIREMENTS.—Each additional  
9 notification under paragraph (1) shall include—

10 (A) the forms necessary for establishing  
11 eligibility and enrollment in the premium assist-  
12 ance program established under this section in  
13 connection with the COBRA continuation cov-  
14 erage with respect to individuals described in  
15 paragraph (1) or (2) of subsection (a);

16 (B) the name, address, and telephone num-  
17 ber necessary to contact the administrator and  
18 any other person maintaining relevant informa-  
19 tion in connection with the premium assistance;  
20 and

21 (C) the following statement displayed in a  
22 prominent manner:

23 “You may be eligible to receive assistance with pay-  
24 ment of 75 percent of your COBRA continuation coverage  
25 premiums and with temporary medicaid coverage for the

1 remaining premium portion for a duration of not to exceed  
2 12 months.”.

3           (3) NOTICE RELATING TO RETROACTIVE COV-  
4 ERAGE.—In the case of such notices previously  
5 transmitted before the date of enactment of this Act  
6 in the case of an individual described in paragraph  
7 (1) who has elected (or is still eligible to elect)  
8 COBRA continuation coverage as of the date of en-  
9 actment of this Act, the administrator of the group  
10 health plan (or other entity) involved or the Sec-  
11 retary of the Treasury, in consultation with the Sec-  
12 retary of Labor, (in the case described in the para-  
13 graph (1)(B)) shall provide (within 60 days after the  
14 date of enactment of this Act) for the additional no-  
15 tification required to be provided under paragraph  
16 (1).

17           (4) MODEL NOTICES.—Not later than 30 days  
18 after the date of enactment of this Act, the Sec-  
19 retary of the Treasury shall prescribe models for the  
20 additional notification required under this sub-  
21 section.

22           (h) REPORTS.—Beginning on January 1, 2002, and  
23 every 3 months thereafter until January 1, 2003, the Sec-  
24 retary of the Treasury shall submit a report to Congress

1 regarding the premium assistance program established  
2 under this section that includes the following:

3 (1) The status of the implementation of the  
4 program.

5 (2) The number of individuals provided assist-  
6 ance under the program as of the date of the report.

7 (3) The average dollar amount (monthly and  
8 annually) of the premium assistance provided under  
9 the program.

10 (4) The number and identification of the States  
11 that have elected to administer the program.

12 (5) The total amount of expenditures incurred  
13 (with administrative expenditures noted separately)  
14 under the program as of the date of the report.

15 (i) APPROPRIATION.—

16 (1) IN GENERAL.—Out of any funds in the  
17 Treasury not otherwise appropriated, there is appro-  
18 priated to carry out this section, such sums as are  
19 necessary for each of fiscal years 2002 and 2003.

20 (2) OBLIGATION OF FUNDS.—This section con-  
21 stitutes budget authority in advance of appropria-  
22 tions Acts and represents the obligation of the Fed-  
23 eral Government to provide for the payment of pre-  
24 mium assistance under this section.

1 (j) SUNSET.—No premium assistance (including pay-  
 2 ment for such assistance) may be provided under this sec-  
 3 tion after December 31, 2002.

4 **SEC. 202. STATE OPTION TO PROVIDE TEMPORARY MED-**  
 5 **ICAID COVERAGE FOR CERTAIN UNINSURED**  
 6 **INDIVIDUALS.**

7 (a) STATE OPTION.—Notwithstanding any other pro-  
 8 vision of law, a State may elect to provide under its med-  
 9 icaid program under title XIX of the Social Security Act  
 10 medical assistance in the case of an individual—

11 (1) who at any time during the period that be-  
 12 gins on September 11, 2001, and ends on December  
 13 31, 2002, is separated from employment;

14 (2) who is not eligible for COBRA continuation  
 15 coverage;

16 (3) who is uninsured; and

17 (4) whose assets, resources, and earned or un-  
 18 earned income (or both) do not exceed such limita-  
 19 tions (if any) as the State may establish.

20 (b) LIMITATION OF PERIOD OF COVERAGE.—Medical  
 21 assistance provided in accordance with this section shall  
 22 end with respect to an individual on the earlier of—

23 (1) the date the individual is no longer unin-  
 24 sured; or

1           (2) subject to subsection (c)(4), 12 months  
 2           after the date the individual first receives such as-  
 3           sistance.

4           (c) SPECIAL RULES.—In the case of medical assist-  
 5           ance provided under this section—

6           (1) the Federal medical assistance percentage  
 7           under section 1905(b) of the Social Security Act (42  
 8           U.S.C. 1396d(b)) shall be the enhanced FMAP (as  
 9           defined in section 2105(b) of such Act (42 U.S.C.  
 10          1397ee(b)));

11          (2) a State may elect to apply any income,  
 12          asset, or resource limitation permitted under the  
 13          State medicaid plan or under title XIX of such Act;

14          (3) the provisions of section 1916(g) of the So-  
 15          cial Security Act (42 U.S.C. 1396o) shall apply to  
 16          the provision of such assistance in the same manner  
 17          as the provisions of such section apply with respect  
 18          to individuals provided medical assistance only under  
 19          subclause (XV) or (XVI) of section  
 20          1902(a)(10)(A)(ii) of such Act (42 U.S.C.  
 21          1396a(a)(10)(A)(ii));

22          (4) a State may elect to provide such assistance  
 23          in accordance with section 1902(a)(34) of the Social  
 24          Security Act (42 U.S.C. 1396a(a)(34)) and any as-  
 25          sistance provided with respect to a month described

1 in that section shall not be included in the deter-  
2 mination of the 12-month period under subsection  
3 (b)(2);

4 (5) a State may elect to make eligible for such  
5 medical assistance a dependent spouse or children of  
6 an individual eligible for medical assistance under  
7 subsection (a), if such spouse or children are unin-  
8 sured;

9 (6) individuals eligible for medical assistance  
10 under this section shall be deemed to be described  
11 in the list of individuals described in the matter pre-  
12 ceding paragraph (1) of section 1905(a) of such Act  
13 (42 U.S.C. 1396d(a));

14 (7) a State may elect to provide such medical  
15 assistance without regard to any limitation under  
16 sections 401(a), 402(b), 403, and 421 of the Per-  
17 sonal Responsibility and Work Opportunity Rec-  
18 onciliation Act of 1996 (8 U.S.C. 1611(a), 1612(b),  
19 1613, and 1631) and no debt shall accrue under an  
20 affidavit of support against any sponsor of an indi-  
21 vidual who is an alien who is provided such assist-  
22 ance, and the cost of such assistance shall not be  
23 considered as an unreimbursed cost; and

24 (8) the Secretary of Health and Human Serv-  
25 ices shall not count, for purposes of section 1108(f)



1 of the Social Security Act (42 U.S.C. 1308(f)), such  
 2 amount of payments under this section as bears a  
 3 reasonable relationship to the average national pro-  
 4 portion of payments made under this section for the  
 5 50 States and the District of Columbia to the pay-  
 6 ments otherwise made under title XIX for such  
 7 States and District.

8 (d) SUNSET.—No medical assistance may be provided  
 9 under this section after December 31, 2002.

10 **SEC. 203. STATE OPTION TO PROVIDE TEMPORARY COV-**  
 11 **ERAGE UNDER MEDICAID FOR THE UNSUB-**  
 12 **SIDIZED PORTION OF COBRA CONTINUATION**  
 13 **PREMIUMS.**

14 (a) STATE OPTION.—

15 (1) IN GENERAL.—Notwithstanding any other  
 16 provision of law, a State may elect to provide under  
 17 its medicaid program under title XIX of the Social  
 18 Security Act medical assistance in the form of pay-  
 19 ment for the portion of the premium for COBRA  
 20 continuation coverage for which an individual does  
 21 not receive a subsidy under the premium assistance  
 22 program established under section 201 in the case of  
 23 an individual—

24 (A) who at any time during the period that  
 25 begins on September 11, 2001, and ends on De-

1           cember 31, 2002, is separated from employ-  
2           ment;

3           (B) who is eligible for, and has elected cov-  
4           erage under, COBRA continuation coverage;

5           (C) who is receiving premium assistance  
6           under the program established under section  
7           201; and

8           (D) whose family income does not exceed  
9           200 percent of the poverty line.

10          (2) INCLUSION OF CERTAIN INDIVIDUALS.—For  
11       purposes of paragraph (1), the spouse, child, or  
12       other individual who was an insured under health in-  
13       surance coverage of an individual who was killed as  
14       a result of the terrorist-related aircraft crashes on  
15       September 11, 2001, or as a result of any other ter-  
16       rorist-related event occurring during the period de-  
17       scribed in that paragraph, and who satisfies the re-  
18       quirements of subparagraphs (B), (C), and (D) of  
19       paragraph (1) shall be eligible for medical assistance  
20       under this section.

21       (b) LIMITATION OF PERIOD OF COVERAGE.—Medical  
22       assistance provided in accordance with this section shall  
23       end with respect to an individual on the earlier of—

24           (1) the date the individual is no longer covered  
25       under COBRA continuation coverage; or

1           (2) 12 months after the date the individual first  
2           receives such assistance under this section.

3           (c) SPECIAL RULES.—In the case of medical assist-  
4           ance provided under this section—

5           (1) such assistance may be provided without re-  
6           gard to—

7           (A) whether the State otherwise has elect-  
8           ed to make medical assistance available for  
9           COBRA premiums under section  
10           1902(a)(10)(F) of the Social Security Act (42  
11           U.S.C. 1396a(a)(10)(F)); or

12           (B) the conditions otherwise imposed for  
13           the provision of medical assistance for such  
14           COBRA premiums under clause (XII) of the  
15           matter following section 1902(a)(10)(G) of the  
16           Social Security Act (42 U.S.C.  
17           1396a(a)(10)(G)), or paragraphs (1)(B),  
18           (1)(C), (1)(D), and (4) of section 1902(u) of  
19           such Act (42 U.S.C. 1396a(u)); and

20           (2) paragraphs (1), (2), (4), (5), (7), and (8)  
21           of subsection (c) of section 202 apply to such assist-  
22           ance in the same manner as such paragraphs apply  
23           to the provision of medical assistance under that sec-  
24           tion.

1 (d) SUNSET.—No medical assistance may be provided  
 2 under this section after December 31, 2002.

3 **SEC. 204. TEMPORARY INCREASES OF MEDICAID FMAP FOR**  
 4 **FISCAL YEAR 2002.**

5 (a) PERMITTING MAINTENANCE OF FISCAL YEAR  
 6 2001 FMAP.—Notwithstanding any other provision of  
 7 law, but subject to subsection (d), if the FMAP deter-  
 8 mined without regard to this section for a State for fiscal  
 9 year 2002 is less than the FMAP as so determined for  
 10 fiscal year 2001, the FMAP for the State for fiscal year  
 11 2001 shall be substituted for the State's FMAP for fiscal  
 12 year 2002, before the application of this section.

13 (b) GENERAL 1.50 PERCENTAGE POINTS IN-  
 14 CREASE.—Notwithstanding any other provision of law, but  
 15 subject to subsections (e) and (f), for each State for each  
 16 calendar quarter in fiscal year 2002, the FMAP (taking  
 17 into account the application of subsection (a)) shall be in-  
 18 creased by 1.50 percentage points.

19 (c) FURTHER INCREASE FOR STATES WITH HIGH  
 20 UNEMPLOYMENT RATES.—

21 (1) IN GENERAL.—Notwithstanding any other  
 22 provision of law, but subject to subsections (e) and  
 23 (f), the FMAP for a high unemployment State for  
 24 a calendar quarter in fiscal year 2002 (and any sub-  
 25 sequent calendar quarter in such fiscal year regard-

1 less of whether the State continues to be a high un-  
 2 employment State for a calendar quarter in such fis-  
 3 cal year) shall be increased (after the application of  
 4 subsections (a) and (b)) by 1.50 percentage points.

5 (2) HIGH UNEMPLOYMENT STATE.—For pur-  
 6 poses of this subsection, a State is a high unemploy-  
 7 ment State for a calendar quarter if, for any 3 con-  
 8 secutive months beginning on or after June 2001  
 9 and ending with the second month before the begin-  
 10 ning of the calendar quarter, the State has an unem-  
 11 ployment rate that exceeds the national average un-  
 12 employment rate. Such unemployment rates for such  
 13 months shall be determined based on publications of  
 14 the Bureau of Labor Statistics of the Department of  
 15 Labor.

16 (d) 1-YEAR INCREASE IN CAP ON MEDICAID PAY-  
 17 MENTS TO TERRITORIES.—Notwithstanding any other  
 18 provision of law, with respect to fiscal year 2002, the  
 19 amounts otherwise determined for Puerto Rico, the Virgin  
 20 Islands, Guam, the Northern Mariana Islands, and Amer-  
 21 ican Samoa under section 1108 of the Social Security Act  
 22 (42 U.S.C. 1308) shall each be increased by an amount  
 23 equal to 3.093 percentage points of such amounts.

24 (e) SCOPE OF APPLICATION.—The increases in the  
 25 FMAP for a State under this section shall apply only for

1 purposes of title XIX of the Social Security Act and shall  
 2 not apply with respect to—

3 (1) disproportionate share hospital payments  
 4 described in section 1923 of such Act (42 U.S.C.  
 5 1396r–4); and

6 (2) payments under titles IV and XXI of such  
 7 Act (42 U.S.C. 601 et seq. and 1397aa et seq.).

8 (f) STATE ELIGIBILITY.—A State is eligible for an  
 9 increase in its FMAP under subsection (b) or (c) only if  
 10 the eligibility under its State plan under title XIX of the  
 11 Social Security Act (including any waiver under such title  
 12 or under section 1115 of such Act (42 U.S.C. 1315)) is  
 13 no more restrictive than the eligibility under such plan (or  
 14 waiver) as in effect on October 1, 2001.

15 **SEC. 205. DEFINITIONS.**

16 In this title:

17 (1) ADMINISTRATOR.—The term “adminis-  
 18 trator” has the meaning given that term in section  
 19 3(16)(A) of the Employee Retirement Income Secu-  
 20 rity Act of 1974 (29 U.S.C. 1002(16)(A)).

21 (2) COBRA CONTINUATION COVERAGE.—

22 (A) IN GENERAL.—The term “COBRA  
 23 continuation coverage” means coverage under a  
 24 group health plan provided by an employer pur-  
 25 suant to title XXII of the Public Health Service

1 Act, section 4980B of the Internal Revenue  
 2 Code of 1986, part 6 of subtitle B of title I of  
 3 the Employee Retirement Income Security Act  
 4 of 1974, or section 8905a of title 5, United  
 5 States Code.

6 (B) APPLICATION TO EMPLOYERS IN  
 7 STATES REQUIRING SUCH COVERAGE.—Such  
 8 term includes such coverage provided by an em-  
 9 ployer in a State that has enacted a law that  
 10 requires the employer to provide such coverage  
 11 even though the employer would not otherwise  
 12 be required to provide such coverage under the  
 13 provisions of law referred to in subparagraph  
 14 (A).

15 (3) COVERED EMPLOYEE.—The term “covered  
 16 employee” has the meaning given that term in sec-  
 17 tion 607(2) of the Employee Retirement Income Se-  
 18 curity Act of 1974 (29 U.S.C. 1167(2)).

19 (4) FEDERAL PUBLIC BENEFIT.—The term  
 20 “Federal public benefit” has the meaning given that  
 21 term in section 401(c) of the Personal Responsibility  
 22 and Work Opportunity Reconciliation Act of 1996 (8  
 23 U.S.C. 1611(c)).

24 (5) FMAP.—The term “FMAP” means the  
 25 Federal medical assistance percentage, as defined in

1 section 1905(b) of the Social Security Act (42  
2 U.S.C. 1396d(b)).

3 (6) GROUP HEALTH PLAN.—The term “group  
4 health plan” has the meaning given that term in sec-  
5 tion 2791(a) of the Public Health Service Act (42  
6 U.S.C. 300gg–91(a)) and in section 607(1) of the  
7 Employee Retirement Income Security Act of 1974  
8 (29 U.S.C. 1167(1)).

9 (7) HEALTH INSURANCE COVERAGE.—The term  
10 “health insurance coverage” has the meaning given  
11 that term in section 2791(b)(1) of the Public Health  
12 Service Act (42 U.S.C. 300gg–91(b)(1)).

13 (8) MULTIEMPLOYER PLAN.—The term “multi-  
14 employer plan” has the meaning given that term in  
15 section 3(37) of the Employee Retirement Income  
16 Security Act of 1974 (29 U.S.C. 1002(37)).

17 (9) POVERTY LINE.—The term “poverty line”  
18 has the meaning given that term in section  
19 2110(c)(5) of the Social Security Act (42 U.S.C.  
20 1397jj(c)(5)).

21 (10) STATE.—The term “State” has the mean-  
22 ing given such term for purposes of title XIX of the  
23 Social Security Act (42 U.S.C. 1396 et seq.).

24 (11) STATE OR LOCAL PUBLIC BENEFIT.—The  
25 term “State or local public benefit” has the meaning



1       given that term in section 411(c) of the Personal  
2       Responsibility and Work Opportunity Reconciliation  
3       Act of 1996 (8 U.S.C. 1621(c)).

4               (12) UNINSURED.—

5               (A) IN GENERAL.—The term “uninsured”  
6       means, with respect to an individual, that the  
7       individual is not covered under—

8                       (i) a group health plan;

9                       (ii) health insurance coverage; or

10                      (iii) a program under title XVIII,  
11       XIX, or XXI of the Social Security Act  
12       (other than under such title XIX pursuant  
13       to section 202).

14               (B) EXCLUSION.—Such coverage under  
15       clause (i) or (ii) shall not include coverage con-  
16       sisting solely of coverage of excepted benefits  
17       (as defined in section 2791(c) of the Public  
18       Health Service Act (42 U.S.C. 300gg–91(c))).

1 **TITLE III—TANF SUPPLE-**  
 2 **MENTAL GRANTS FOR POPU-**  
 3 **LATION INCREASES**

4 **SEC. 301. REAUTHORIZATION OF TANF SUPPLEMENTAL**  
 5 **GRANTS FOR POPULATION INCREASES FOR**  
 6 **FISCAL YEAR 2002.**

7 Section 403(a)(3) of the Social Security Act (42  
 8 U.S.C. 603(a)(3)) is amended by adding at the end the  
 9 following:

10 “(H) REAUTHORIZATION OF GRANTS FOR  
 11 FISCAL YEAR 2002.—Notwithstanding any other  
 12 provision of this paragraph—

13 “(i) any State that was a qualifying  
 14 State under this paragraph for fiscal year  
 15 2001 or any prior fiscal year shall be enti-  
 16 tled to receive from the Secretary for fiscal  
 17 year 2002 a grant in an amount equal to  
 18 the amount required to be paid to the  
 19 State under this paragraph for the most  
 20 recent fiscal year in which the State was a  
 21 qualifying State;

22 “(ii) subparagraph (G) shall be ap-  
 23 plied as if ‘2002’ were substituted for  
 24 ‘2001’; and

1 “(iii) out of any money in the Treas-  
 2 ury of the United States not otherwise ap-  
 3 propriated, there are appropriated for fis-  
 4 cal year 2002 such sums as are necessary  
 5 for grants under this subparagraph.”.

6 **SEC. 302. FISCAL YEAR 2002 TANF PAYMENTS.**

7 Notwithstanding any other provision of law, any pay-  
 8 ment under section 403 of the Social Security Act (42  
 9 U.S.C. 603) that would otherwise be sent to a State on  
 10 September 30, 2002, by the Secretary of the Treasury  
 11 shall be sent on October 1, 2002.

12 **SEC. 303. TANF BONUSES FOR HIGH PERFORMANCE**  
 13 **STATES.**

14 (a) RESCISSION.—Effective upon the date of enact-  
 15 ment of this Act or October 1, 2001, whichever is later,  
 16 \$319,000,000 of the amount appropriated under section  
 17 403(a)(4)(F) of the Social Security Act (42 U.S.C.  
 18 603(a)(4)(F)) is rescinded.

19 (b) APPROPRIATION.—Effective October 1, 2002, out  
 20 of any money in the Treasury of the United States not  
 21 otherwise appropriated, there is appropriated  
 22 \$319,000,000 for bonus grants under section 403(a)(4)  
 23 of the Social Security Act (42 U.S.C. 603(a)(4)). Amounts  
 24 appropriated under this subsection shall be in addition to

1 amounts appropriated under subparagraph (F) of section  
 2 403(a)(4) of such Act (42 U.S.C. 603(a)(4)).

3 **TITLE IV—TANF CONTINGENCY**  
 4 **FUND**

5 **SEC. 401. 1-YEAR EXTENSION AND MODIFICATION OF TANF**  
 6 **CONTINGENCY FUND.**

7 (a) IN GENERAL.—Section 403(b) of the Social Secu-  
 8 rity Act (42 U.S.C. 603(b)(5)) is amended by adding at  
 9 the end the following:

10 “(9) SPECIAL RULES FOR FISCAL YEAR 2002.—  
 11 Notwithstanding the preceding provisions of this  
 12 subsection, with respect to fiscal year 2002, the fol-  
 13 lowing shall apply:

14 “(A) DEPOSITS INTO FUND.—Out of any  
 15 money in the Treasury of the United States not  
 16 otherwise appropriated, there are appropriated  
 17 for fiscal year 2002 such sums as are necessary  
 18 for payments under this subsection for that fis-  
 19 cal year.

20 “(B) INCREASE IN STATE FAMILY ASSIST-  
 21 ANCE GRANT.—

22 “(i) IN GENERAL.—For each quarter  
 23 in which a State is determined to be a  
 24 needy State, the Secretary shall provide a  
 25 contingency fund grant equal to 7 percent

of the quarterly TANF grant, as defined in  
clause (ii).

“(ii) DEFINITION OF QUARTERLY  
TANF GRANT.—In this paragraph, the term  
‘quarterly TANF grant’ means, with re-  
spect to a State,  $\frac{1}{4}$  of the State family as-  
sistance grant under subsection (a)(1) for  
fiscal year 2002.

“(C) NEEDY STATE.—

“(i) IN GENERAL.—A State is a needy  
State for purposes of this paragraph if—

“(I) the average rate of total un-  
employment in the State (seasonally  
adjusted) for the most recent 3  
months for which data are available  
for all States—

“(aa) is at least 6.5 percent;

or

“(bb) has increased by the  
lesser of 50 percent, or 1.5 per-  
centage points, over the lesser of  
the average rate of total unem-  
ployment in the State (seasonally  
adjusted) for a comparable 3-

1 month period in fiscal year 2001  
2 or fiscal year 2000; and

3 “(II) the amount of the unobli-  
4 gated Federal funds to be paid to the  
5 State under this part is less than the  
6 amount equal to 50 percent of the  
7 State family assistance grant under  
8 subsection (a)(1) for fiscal year 2001,  
9 as measured, at the option of the  
10 State—

11 “(aa) as of September 30,  
12 2001; or

13 “(bb) for the most recently  
14 completed quarter of fiscal year  
15 2002, as determined under clause  
16 (ii).

17 “(ii) DETERMINATION OF UNOBLI-  
18 GATED FEDERAL FUNDS.—For purposes of  
19 clause (i)(bb), the unobligated Federal  
20 funds to be paid to the State under this  
21 part for the most recently completed quar-  
22 ter of fiscal year 2002 are the difference  
23 between—

1 “(I) the unobligated Federal  
2 funds to be paid to the State at the  
3 end of fiscal year 2001; and

4 “(II) the difference between—

5 “(aa) the total Federal ex-  
6 penditures and obligations under  
7 this part (regardless of the year  
8 in which the Federal funds were  
9 awarded) for the most recently  
10 completed quarter of fiscal year  
11 2002 and all previous quarters in  
12 fiscal year 2002; and

13 “(bb) the sum of the total of  
14 the quarterly TANF grants (as  
15 defined in subparagraph (B)(ii))  
16 awarded to the State for the  
17 most recently completed quarter  
18 of fiscal year 2002, and the total  
19 of the quarterly supplemental  
20 grants (as defined in clause (iii)),  
21 if any, made to the State for  
22 such most recent quarter.

23 “(iii) DEFINITION OF QUARTERLY  
24 SUPPLEMENTAL GRANT.—In this para-  
25 graph, the term ‘quarterly supplemental

1 grant' means, with respect to a State,  $\frac{1}{4}$   
 2 of the grant made to the State (if any)  
 3 under subsection (a)(3) for fiscal year  
 4 2002.

5 “(D) NONAPPLICATION OF ANNUAL REC-  
 6 ONCILIATION REQUIREMENT.—Paragraph (6)  
 7 shall not apply to payments made under this  
 8 subsection for fiscal year 2002.”.

9 (b) REALIGNMENT OF RELATED MAINTENANCE OF  
 10 EFFORT REQUIREMENT.—Section 409(a)(10) of the So-  
 11 cial Security Act (42 U.S.C. 609(a)(10)) is amended by  
 12 striking “100 percent” and inserting “the applicable per-  
 13 centage (as defined in paragraph (7)(B)(ii) of this sub-  
 14 section)”.

15 (c) NOT EXTENDED IN BASELINE.—Notwith-  
 16 standing paragraph (2) of section 257(b) the Balanced  
 17 Budget and Emergency Deficit Control Act of 1985 (2  
 18 U.S.C. 907(b)), the contingency fund grants made under  
 19 section 403(b)(9) of the Social Security Act (42 U.S.C.  
 20 603(b)(9)), as added by subsection (a), shall be assumed  
 21 to expire upon the conclusion of fiscal year 2002 for pur-  
 22 poses of that Act.

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